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## LOK SABHA

The following Bill was introduced in Lok Sabha on the 17th  
December, 1964:—

BILL No. 85 OF 1964

*A Bill further to amend the Reserve Bank of India Act, 1934 and  
the Banking Companies Act, 1949 for the purpose of regulating  
the banking business of certain co-operative societies and for  
matters connected therewith.*

BE it enacted by Parliament in the Fifteenth Year of the Republic  
of India as follows:—

### CHAPTER I

5 1. (1) This Act may be called the Banking Laws (Application to  
Co-operative Societies) Act, 1964.

Short title  
and com-  
mence-  
ment.

(2) It shall come into force on such date as the Central Govern-  
ment may, by notification in the Official Gazette, appoint, and diffe-  
rent dates may be appointed for different provisions of this Act.

### CHAPTER II

10 AMENDMENT OF THE RESERVE BANK OF INDIA ACT, 1934

2 of 1934.

2. In section 2 of the Reserve Bank of India Act, 1934 (hereinafter  
in this Chapter referred to as the principal Act),—

Amend-  
ment of  
section 2.

15 (i) clauses (a) and (aa) shall be re-lettered as clauses (ai)  
and (aia) respectively, and before clause (ai) as so re-lettered,  
the following clause shall be inserted, namely:—

“(a) “agricultural operations” includes animal husban-  
dry and allied activities jointly undertaken with agricultural  
operations;”;

(ii) for clause (bb), the following clauses shall be substituted, namely:—

‘(bi) “central co-operative bank” means the principal co-operative society in a district in a State, the primary object of which is the financing of other co-operative societies in that district: 5

Provided that in addition to such principal society in a district or where there is no such principal society in a district, the State Government may declare any one or more co-operative societies carrying on the business of financing 10 other co-operative societies in that district to be a central co-operative bank or banks within the meaning of this definition;

(bii) “co-operative bank” means a State co-operative bank, a central co-operative bank and a primary co-operative bank; 15

(biii) “co-operative credit society” means a co-operative society, the primary object of which is to provide financial accommodation to its members and includes a co-operative land mortgage bank; 20

(biv) “co-operative society” means a society registered, or deemed to be registered, under the Co-operative Societies Act, 1912 or any other law relating to co-operative societies for the time being in force in any State; 2 of 1912.

(bv) “crops” includes products of agricultural operations; 25

(iii) clauses (bbb) and (bbbb) shall be re-lettered as clauses (bvi) and (bvii) respectively, and after clause (bvii) as so re-lettered, the following clause shall be inserted, namely:—

‘(bviii) “director”, in relation to a co-operative society, includes a member of any committee or body for the time being vested with the management of the affairs of that society;’ 30

(iv) after clause (c), the following clauses shall be inserted, namely:— 35

‘(ci) “marketing of crops” includes the processing of crops prior to marketing by agricultural producers or any organization of such producers;

(cii) "primary agricultural credit society" means a co-operative society,—

5 (1) the primary object or principal business of which is to provide financial accommodation to its members for agricultural purposes or for purposes connected with agricultural activities (including the marketing of crops); and

(2) the bye-laws of which do not permit admission of any other co-operative society as a member;

10 (ciii) "primary co-operative bank" means a co-operative society, other than a primary agricultural credit society,—

(1) the primary object or principal business of which is the transaction of banking business;

15 (2) the paid-up share capital and reserves of which are not less than one lakh of rupees; and

(3) the bye-laws of which do not permit admission of any other co-operative society as a member;

(civ) "primary credit society" means a co-operative society, other than a primary agricultural credit society,—

20 (1) the primary object or principal business of which is the transaction of banking business;

(2) the paid-up share capital and reserves of which are less than one lakh of rupees; and

(3) the bye-laws of which do not permit admission of any other co-operative society as a member;

*Explanation.*—If any dispute arises as to the primary object or principal business of any co-operative society referred to in this clause or clause (cii) or clause (ciii), a determination thereof by the Bank shall be final;

30 (v) clause (ee) shall be re-lettered as clause (ei);

(vi) in clause (f), for the words beginning with "the principal society" and ending with "are deemed to be so registered", the words "the principal co-operative society in a State, the primary object of which is the financing of other co-operative societies in the State" shall be substituted.

3. In section 10 of the principal Act, for clause (e) of sub-section (1), the following clause shall be substituted, namely:—

**Amend-  
ment of  
section 10.**

10 of 1949, 40 " (e) is a director of a banking company within the meaning of clause (c) of section 5 of the Banking Companies Act, 1949, or of a co-operative bank."

Amend-  
ment of  
section 17.

4. In section 17 of the principal Act, in clause (2), *Explanation* to sub-clause (b) shall be omitted.

Amend-  
ment of  
section 18.

5. In section 18 of the principal Act, in clause (3) of sub-section (1), after the words and figures "the Banking Companies Act, 1949", the words "or to a State co-operative bank or, on the recommenda- 5  
tion of the State co-operative bank, to any other co-operative bank" shall be inserted.

Amend-  
ment of  
section 42.

6. In section 42 of the principal Act,—

(i) in sub-section (1), for clause (c) of the *Explanation*, the following clause shall be substituted, namely:— 10

'(c) "liabilities" shall not include—

(i) the paid-up capital or the reserves or any credit balance in the profit and loss account of the bank,

(ii) the amount of any loan taken from the Bank or from the Development Bank or from the agricultural 15  
Refinance Corporation or from the State Bank or from any other bank notified by the Central Government in this behalf, and

(iii) in the case of a State co-operative bank, also any loan taken by such bank from a State Government 20  
and any deposit of money with such bank representing the reserve fund or any part thereof required to be maintained with it by any co-operative society within its area of operation;'

(ii) in sub-section (6), in sub-clause (iii) of clause (a), for 25  
the words "is a company", the words "is a State co-operative bank or a company" shall be substituted.

Omission  
of section  
44.

7. Section 44 of the principal Act shall be omitted.

Amend-  
ment of  
section  
45H.

8. In section 45H of the principal Act, after the words and figures "section 51 of that Act", the words "or a co-operative bank or a pri- 30  
mary agricultural credit society or a primary credit society" shall be inserted.

Amend-  
ment of  
section  
45 I.

9. In section 45I of the principal Act, in clause (e), after the word "corporation," the words "co-operative society" shall be inserted.

## CHAPTER III

## AMENDMENT OF THE BANKING COMPANIES ACT, 1949

10 of 1949. 10. In the Banking Companies Act, 1949 (hereinafter in this Chapter referred to as the principal Act), in the long title and in 5 the preamble, the word "companies" shall be omitted. Amendment of long title and preamble.

11. (1) In section 1 of the principal Act, in sub-section (1), for the word "Companies", the word "Regulation" shall be substituted. Amendment of section 1.

10 of 1949. (2) Any reference to the Banking Companies Act, 1949 in any law for the time being in force, or in any instrument or other document, shall be construed as a reference to the Banking Regulation Act, 1949.

12. For section 3 of the principal Act, the following section shall be substituted, namely:— Substitution of new section for section 3.

"3. Nothing in this Act shall apply to—

- 15 (a) a primary agricultural credit society;  
(b) a co-operative land mortgage bank; and  
(c) any other co-operative society, except in the manner and to the extent specified in Part V." Act to apply to co-operative societies in certain cases.

13. In section 18 of the principal Act, in clause (b) of the 20 *Explanation*, for the words "the Refinance Corporation for Industry Limited," the words "the Industrial Development Bank of India or from the Agricultural Refinance Corporation" shall be substituted. Amendment of section 18.

14. In the principal Act, after Part IV, the following Part shall be inserted, namely:— Insertion of new Part V.

## PART V

## APPLICATION OF THE ACT TO CO-OPERATIVE BANKS

25 56. The provisions of this Act, as in force for the time being, shall apply to, or in relation to, co-operative societies as they apply to, or in relation to, banking companies subject to the 30 following modifications, namely:—

(a) Throughout this Act, unless the context otherwise requires,—

(i) references to a "banking company" or "the

Act to apply to co-operative societies subject to modifications.

company" or "such company" shall be construed as references to a co-operative bank,

(ii) references to "commencement of this Act" shall be construed as references to commencement of the Banking Laws (Application to Co-operative Societies) Act, 1964;

(b) in section 2, the words and figures "the Companies Act, 1956, and" shall be omitted;

(c) in section 5,—

(i) after clause (cc), the following clause shall be inserted, namely:—

'(ccc) "central co-operative bank", "co-operative bank", "co-operative society", "director", "primary agricultural credit society", "primary co-operative bank", "primary credit society" and "State co-operative bank" shall have the meanings respectively assigned to them in the Reserve Bank of India Act, 1934;'

2 of 1934.

(ii) clauses (ff) and (h) shall be omitted;

(d) for section 5A, the following section shall be substituted, namely:—

Act to  
override  
bye-laws,  
etc.

"5A. (1) The provisions of this Part shall have effect, notwithstanding anything to the contrary contained in the bye-laws of a co-operative society, or in any agreement executed by it, or in any resolution passed by it in general meeting, or by its Board of directors or other body entrusted with the management of its affairs, whether the same be registered, executed or passed, as the case may be, before or after the commencement of the Banking Laws (Application to Co-operative Societies) Act, 1964.

(2) Any provision contained in the bye-laws, agreement or resolution aforesaid shall, to the extent to which it is repugnant to the provisions of this Part, become or be void, as the case may be."

(e) in section 6, in sub-section (1),—

(i) in clause (b), the words "but excluding the business of a managing agent or secretary and treasurer of a company" shall be omitted;

(ii) in clause (d), after the word "company," the words "co-operative society," shall be inserted;

(iii) in clause (m), after the word "company", the words "or co-operative society" shall be inserted;

(f) for section 7, the following section shall be substituted, namely:—

5           "7. (1) No co-operative society other than a co-operative bank shall use as part of its name any of the words "bank", "banker" or "banking" and no co-operative society shall carry on the business of banking in India unless it uses as part of its name at least one of such words. Use of word "bank", "banker", "banking", "banker", "banking".

10           (2) Nothing in this section shall apply to—

          (a) a primary credit society, or

          (b) a co-operative society formed for the protection of the mutual interests of co-operative banks or co-operative land mortgage banks.;

15           (g) section 10 shall be omitted;

          (h) for section 11, the following section shall be substituted, namely:—

20           "11. (1) Notwithstanding any law relating to co-operative societies for the time being in force, no co-operative bank shall commence or carry on the business of banking in India unless the aggregate value of its paid-up capital and reserves is not less than one lakh of rupees. Requirement as to minimum paid-up capital and reserves.

25           Provided that nothing in this sub-section shall apply to—

          (a) any such bank which is carrying on such business at the commencement of the Banking Laws (Application to Co-operative Societies) Act, 1964, for a period of three years from such commencement; or

30           (b) to a primary credit society which becomes a primary co-operative bank after such commencement, for a period of two years from the date it so becomes a primary co-operative bank or for such further period not exceeding one year as the Reserve Bank, having regard to the interests of the depositors of the primary co-operative bank, may think fit in any particular case to allow.

(2) For the purposes of this section, "value" means the real or exchangeable value and not the nominal value which may be shown in the books of the co-operative bank concerned.

(3) If any dispute arises in computing the aggregate value of the paid-up capital and reserves of any such co-operative bank, a determination thereof by the Reserve Bank shall be final for the purposes of this section."

(i) sections 12, 12A, 13 and 15 to 17 shall be omitted;

(j) for section 18, the following section shall be substituted, namely:—

Cash  
reserve.

'18. Every co-operative bank, not being a State co-operative bank for the time being included in the Second Schedule to the Reserve Bank of India Act, 1934, shall maintain in India, by way of cash reserve with itself or in current account opened with the Reserve Bank or the State Bank of India or the State co-operative bank of the State concerned or with any other bank notified by the Central Government in this behalf or, in the case of a primary co-operative bank, with the central co-operative bank of the district concerned or partly in cash with itself and partly in such account or accounts, a sum equivalent to at least three per cent. of the total of its time and demand liabilities in India, and shall submit to the Reserve Bank before the 15th day of every month a return showing the amount so held on Friday of each week of the preceding month with particulars of its time and demand liabilities in India on each such Friday, or, if any such Friday is a public holiday under the Negotiable Instruments Act, 1881, at the close of business on the preceding working day.

*Explanation.*—In this section and section 24, "liabilities in India" shall not include,—

(a) the paid-up capital or the reserves or any credit balance in the profit and loss account of the co-operative bank;

(b) any advance taken from a State Government, the Reserve Bank, the State Bank of India, the Industrial Development Bank of



2 of 1934.

India, the Agricultural Refinance Corporation or any bank notified by the Central Government under clause (c) of the *Explanation* to sub-section (1) of section 42 of the Reserve Bank of India Act, 1934;

5 (c) in the case of a central co-operative bank, also any advance taken by it from the State co-operative bank of the State concerned and any deposit of money with it representing the reserve fund or any part thereof required to be maintained  
10 with it by any other co-operative society within the area of its operation;

(d) in the case of a primary co-operative bank, also any advance taken by it from the State co-operative bank of the State concerned or the central co-operative bank of the district concerned;'  
15

(k) for section 19, the following section shall be substituted, namely:—

20 "19. No co-operative bank shall hold shares in any other co-operative society except to such extent and subject to such conditions as the Reserve Bank may specify in that behalf: .

Restric-  
tion on  
holding  
shares in  
other co-  
operative  
societies.

Provided that nothing contained in this section shall apply to—

25 (i) shares acquired through funds provided by the State Government for that purpose;

(ii) in the case of a central co-operative bank, the holding of shares in the State co-operative bank to which it is affiliated;

30 (iii) in the case of a primary co-operative bank, the holding of shares in the central co-operative bank to which it is affiliated or, where there is no such central co-operative bank, shares in the State co-operative bank of the State in which it is registered:

35 Provided further that where any shares are held by a co-operative bank in contravention of this section at the commencement of the Banking Laws (Application to Co-operative Societies) Act, 1964, the co-operative bank shall without delay report the matter to the  
40 Reserve Bank and shall, notwithstanding anything con-

tained in this section, be entitled to hold the shares for such period and on such conditions as the Reserve Bank may specify.”;

(l) in section 20, in sub-section (1),—

(i) the words and figures “Notwithstanding anything to the contrary contained in section 77 of the Companies Act, 1956,” shall be omitted;

1 of 1956.

(ii) for the proviso, the following proviso shall be substituted, namely:—

“Provided that nothing in clause (b) shall apply to the grant of unsecured loans or advances—

(a) made by a co-operative bank—

(i) against bills for supplies or services made or rendered to Government or bills of exchange arising out of *bona fide* commercial or trade transactions, or

(ii) in respect whereof trust-receipts are furnished to the co-operative bank;

(b) made by a primary co-operative bank to any of its directors within such limits and on such terms and conditions as may be approved by the Reserve Bank in this behalf.”;

(m) in section 20A, in sub-section (1), the words and figures “Notwithstanding anything to the contrary contained in section 293 of the Companies Act, 1956,” shall be omitted;

1 of 1956.

(n) in section 21, in sub-section (2), in clauses (c) and (d), for the words “any one company, firm, association of persons or individual”, the words “any one party” shall be substituted;

30

(o) in section 22,—

(i) for sub-sections (1) and (2), the following sub-sections shall be substituted, namely:—

“(1) Save as hereinafter provided, no co-operative society shall carry on banking business in India unless—

(a) it is a primary credit society, or

(b) it is a co-operative bank and holds a licence issued in that behalf by the Reserve Bank, subject to such conditions, if any, as the Reserve Bank may deem fit to impose:

Provided that nothing in this sub-section shall apply to a co-operative society, not being a primary credit society or a co-operative bank carrying on banking business at the commencement of the Banking Laws (Application to Co-operative Societies) Act, 1964, for a period of one year from such commencement.

(2) Every co-operative society carrying on business as a co-operative bank at the commencement of the Banking Laws (Application to Co-operative Societies) Act, 1964, shall before the expiry of three months from such commencement, every primary credit society which becomes a primary co-operative bank after such commencement shall before the expiry of three months from the date on which it so becomes a primary co-operative bank and every co-operative society other than a primary credit society shall before commencing banking business in India, apply in writing to the Reserve Bank for a licence under this section:

Provided that nothing in clause (b) of sub-section (1) shall be deemed to prohibit a co-operative society carrying on business as a co-operative bank at the commencement of the Banking Laws (Application to Co-operative Societies) Act, 1964, and a primary credit society which becomes a primary co-operative bank after such commencement, from carrying on banking business until it is granted a licence in pursuance of this section or is by notice in writing informed by the Reserve Bank that a licence cannot be granted to it.”;

(ii) in sub-section (3), clause (c) shall be omitted;

(p) in section 23, for sub-section (1), the following sub-section shall be substituted, namely:—

“(1) Without obtaining the prior permission of the Reserve Bank, no co-operative bank shall open a new

place of business or change otherwise than within the same city, town or village, the location of an existing place of business:

Provided that nothing in this sub-section shall apply to—

(a) the opening for a period not exceeding one month of a temporary place of business within a city, town or village or the environs thereof within which the co-operative bank already has a place of business, for the purpose of affording banking facilities to the public on the occasion of an exhibition, a conference or a mela or any other like occasion;

(b) the opening of branches by a central co-operative bank within the area of its operation.”;

(q) in section 24,—

(i) in sub-section (1), the words “After the expiry of two years from the commencement of this Act,” shall be omitted;

(ii) for sub-sections (2) and (2A), the following sub-sections shall be substituted, namely:—

“(2) In computing the amount for the purposes of sub-section (1),—

(a) any balances maintained in India by a co-operative bank in current account with the Reserve Bank or the State Bank of India or with any other bank which may be notified in this behalf by the Central Government, including in the case of a State co-operative bank, the balance required under section 42 of the Reserve Bank of India Act, 1934, to be so maintained,

(b) any balances maintained by a central co-operative bank with the State co-operative bank of the State concerned, and

(c) any balances maintained by a primary co-operative bank with the central co-operative bank of the district concerned or with the State co-operative bank of the State concerned,

shall be deemed to be cash maintained in India.

(2A) (a) Notwithstanding anything contained in sub-section (1) or in sub-section (2), after the

expiry of two years from the commencement of the Banking Laws (Application to Co-operative Societies) Act, 1964, or of such further period not exceeding one year as the Reserve Bank, having regard to the interests of the co-operative bank concerned, may think fit in any particular case to allow,—

(i) a State co-operative bank, in addition to the average daily balance which it is, or may be, required to maintain under section 42 of the Reserve Bank of India Act, 1934, and

(ii) every other co-operative bank, in addition to the cash reserve which it is required to maintain under section 18,

shall maintain in India in cash, gold or unencumbered approved securities, valued at a price not exceeding the current market price, an amount which shall not at the close of business on any day be less than twenty-five per cent. of the total of its demand and time liabilities in India;

(b) in computing the amount for the purposes of clause (a),—

(i) any cash or balances maintained in India by a co-operative bank, other than a State co-operative bank, with itself or in current account with the Reserve Bank or the State Bank of India or the State co-operative bank of the State concerned or with any other bank which may be notified in this behalf by the Central Government and, in the case of a primary co-operative bank, also any balances maintained with the central co-operative bank of the district concerned, in excess of the aggregate of the cash or balance or both required to be maintained under section 18, and

(ii) any balance maintained by a State co-operative bank with the Reserve Bank in excess of the balance required to be maintained by it under section 42 of the Reserve Bank of India Act, 1934, and any balances maintained by a State co-operative bank with the State Bank of India or with any other bank which may

be notified in this behalf by the Central Government,

shall be deemed to be cash maintained in India.”;

(r) section 25 shall be omitted;

(s) for sections 29 and 30, the following section shall be substituted, namely:—

Accounts  
and  
balance-  
sheet.

“29. (1) At the expiration of each year ending with the 30th day of June, every co-operative bank, in respect of all business transacted by it, shall prepare with reference to that year a balance-sheet and profit and loss account as on the last working day of the year in the Forms set out in the Third Schedule or as near thereto as circumstances admit..

(2) The balance-sheet and profit and loss account shall be signed by the manager or the principal officer of the bank and where there are more than three directors of the bank, by at least three of those directors, or where there are not more than three directors, by all the directors.

(3) The Central Government, after giving not less than three months’ notice of its intention so to do by a notification in the Official Gazette, may from time to time by a like notification amend the Forms set out in the Third Schedule.”;

(t) in section 31, for the words “within three months” and “of three months”, the words “within six months” and “of six months” shall respectively be substituted;

(u) sections 32 to 34 shall be omitted;

(v) in section 34A, sub-section (3) shall be omitted;

(w) in section 35,—

(i) in sub-section (1),—

(a) for the words and figures “section 235 of the Companies Act, 1956”, the words “any law relating to co-operative societies for the time being in force” shall be substituted;

(b) the following proviso shall be inserted at the end, namely:—

“Provided that the Reserve Bank may, if it considers necessary or expedient so to do, cause an inspection to be made of a primary co-operative bank under this sub-section by one or

more officers of a State co-operative bank in the State in which such primary co-operative bank carries on business.”;

(ii) in sub-section (4), clause (b) shall be omitted;

5

(iii) the *Explanation* shall be omitted;

(x) in section 35A, in sub-section (1), in clause (c), for the words “any banking company”, the words “the banking business of any co-operative bank” shall be substituted;

(y) section 35B shall be omitted;

10

(z) in section 36, in sub-section (1), clauses (b) and (d) shall be omitted;

(za) in section 36A,—

(i) for sub-section (1), the following sub-section shall be substituted, namely:—

15

“(1) The provisions of section 11, section 18 and section 24 shall not apply to a co-operative bank which has been refused a licence under section 22 or whose licence has been cancelled under that section or which is or has been prohibited or precluded from accepting deposits by virtue of any order made under this Act or of any alteration made in its bye-laws.”;

20

(ii) after sub-section (2), the following sub-section shall be inserted, namely:—

25

“(3) Subject to the provisions of sub-sections (1) and (2), a co-operative society carrying on business as a primary co-operative bank at the commencement of the Banking Laws (Application to Co-operative Societies) Act, 1964, or a co-operative society which becomes a primary co-operative bank after such commencement shall, notwithstanding that it does not at any time thereafter satisfy the requirements of the definition of primary co-operative bank in clause (ccc) of section 5, continue to be a primary co-operative bank within the meaning of this Act, and may, with the approval of the Reserve Bank and subject to such terms and conditions as the Reserve Bank may specify in that behalf, continue to carry on the business of banking.”;

30

35

40

(zb) Part IIA, Part III, except sub-sections (1), (2) and (3) of section 45, and Part IIIA except section 45W shall be omitted;

(zc) in section 46, in clause (a) of the *Explanation*, after the words "includes a", the words "co-operative society," shall be inserted;

(zd) in section 47, the words, brackets, figures and letters "sub-section (5) of section 36AA or" shall be omitted; 5

(ze) section 49 shall be omitted;

(zf) in section 49A, for the proviso, the following proviso shall be substituted, namely:—

"Provided that nothing contained in this section shall apply to— 10

(a) a primary credit society,

(b) any other co-operative society accepting such deposits at the commencement of the Banking Laws (Application to Co-operative Societies) Act, 1964, for a period of one year from the date of such 15 commencement; and

(c) any savings bank scheme run by the Government.";

(zg) sections 49B and 49C shall be omitted;

(zh) in section 50, the figures and letters "10, 12A, 16," 20 "35B," and "43A" shall be omitted;

(zi) section 51 shall be omitted;

(zj) in section 52,—

(i) in sub-section (2), the words, figures and letter "and the form in which the official liquidator may file 25 lists of debtors to the Court having jurisdiction under Part III or Part IIIA and the particulars which such lists may contain" shall be omitted;

(ii) sub-section (4) shall be omitted;

(zk) for section 55 and the First Schedule, the following 30 section shall be substituted, namely:—

"55. (1) The Bankers' Books Evidence Act, 1891 shall apply in relation to a co-operative bank as it applies in relation to a bank as defined in section 2 of that Act.

(2) The Banking Companies (Legal Practitioners' 35 Clients' Accounts) Act, 1949 shall apply in relation to a co-operative bank as it applies in relation to a banking company as defined in section 2 of that Act.";

Act 18 of  
1891 and  
Act 46 of  
1949 to  
apply in  
relation  
to co-  
operative  
banks.



(21) for the Third Schedule and the Fourth Schedule the following Schedule shall be substituted, namely:—

THE THIRD SCHEDULE

(See section 29)

FORM A

FORM OF BALANCE-SHEET

5

CAPITAL AND LIABILITIES				PROPERTY AND ASSETS			
		Rs.	P.	Rs.	P.	Rs.	P.
I. CAPITAL :				1. CASH :			
10	(i) Authorised Capital			In hand and with Reserve Bank, State Bank of India, State co-operative bank and central co-operative bank.			
	.....Shares of Rs.....each						
	.....Shares of Rs.....each						
(ii) Subscribed Capital				2. BALANCES WITH OTHER BANKS :			
15	.....Shares of Rs.....each			(i) Current deposits			
	.....Shares of Rs.....each			(ii) Savings bank deposits			
	.....Shares of Rs.....each			(iii) Fixed deposits			
(iii) Amount called up				3. MONEY AT CALL AND SHORT NOTICE			
20	On.....Shares at Rs.....each less calls unpaid			4. INVESTMENTS :			
	On.....Shares at Rs.....each less calls unpaid			(i) In Central and State Government securities (at book value).			
				Face value Rs.			
Of (iii) above, held by				Market value Rs.			
25	(a) Individuals			(ii) Other Trustee securities			
	(b) Co-operative institutions			(iii) Shares in co-operative institutions other than in item (5) below			
	(c) State Government						

CAPITAL AND LIABILITIES			PROPERTY AND ASSETS		
	Rs.	P.	Rs.	P.	Rs. P. Rs. P.
2. RESERVE FUND AND OTHER RESERVES :			(iv) Other investments (to be specified)		
5 (i) Statutory Reserve					
(ii) Agricultural (Credit Stabilization Fund)					
(iii) Building Fund					
(iv) Dividend Equalization Fund					
(v) Special Bad Debts Reserve					
(vi) Bad and Doubtful Debts Reserve					
10 (vii) Investment Depreciation Reserve					
(viii) Other Funds and Reserves (to be specified)					
3. PRINCIPAL/SUBSIDIARY STATE PARTNERSHIP FUND ACCOUNT :			5. INVESTMENTS OUT OF THE PRINCIPAL/SUBSIDIARY STATE PARTNERSHIP FUND		
For share capital of :			In shares of :		
(i) Central co-operative banks			(i) Central co-operative banks		
(ii) Primary agricultural credit societies			(ii) Primary agricultural credit societies		
20 (iii) Other societies			(iii) Other societies		
4. DEPOSITS AND OTHER ACCOUNTS :			6. ADVANCES† :		
(i) Fixed deposits*			(i) Short-term loans, cash credits, overdrafts and bills discounted		
25 (a) Individuals**			Of which secured against :		
(b) Central co-operative banks			(a) Government and other approved securities		
(c) Other societies			(b) Other tangible securities @		
(ii) Savings Bank Deposits			Of the advances, amount due from individuals		
30 (a) Individuals**			Of the advances, amount overdue		
(b) Central co-operative banks			Considered bad and doubtful of recovery		
(c) Other societies			(ii) Medium-term loans		
			Of which secured against:		

	(iii) Current deposits . . . . .		
	(a) Individuals** . . . . .	(a)	Government and other approved securities
	(b) Central co-operative banks . . . . .		
	(c) Other societies . . . . .	( )	Other tangible securities@
5	(iv) Money at call and short notice . . . . .		
	5. BORROWINGS†		
	(i) From the Reserve Bank of India/State/ Central co-operative bank :		Of the advances, amount due from individuals . . . . .
10	(a) Short-term loans, cash credits and overdrafts . . . . .		Of the advances, amount overdue :
	Of which secured against :		Considered bad and doubtful of recovery . . . . .
15	(A) Government and other approved securities	(iii)	Long-term loans
	(B) Other tangible securi- ties@ . . . . .	Of which secured against :	
		(a)	Government and other ap- proved securities
20	(b) Medium-term loans of which secured against :	(b)	Other tangible securities@ . . . . .
	(A) Government and other approved securities . . . . .		Of the advances, amount due from individuals . . . . .
	(B) Other tangible securi- ties@ . . . . .		Of the advances, amount overdue . . . . .
25	(c) Long-term loans Of which secured against :		Considered bad and doubtful of recovery . . . . .
	(A) Government and other approved securities	7. INTEREST RECEIVABLE :	
30	(B) Other tangible securi- ties@ . . . . .		Of which overdue . . . . .

CAPITAL AND LIABILITIES				PROPERTY AND ASSETS			
		Rs.	P.			Rs.	P.
	(ii) From the State Bank of India			Considered bad and doubtful of recovery . . . . .			
5	(a) Short-term loans, cash credits and overdrafts . . . . .						
	Of which secured against :			8. BILLS RECEIVABLE BEING BILLS FOR COLLECTION AS <i>per contra</i> . . . . .			
10	(A) Government and other approved securities						
	(B) Other tangible securities@ . . . . .			9. BRANCH ADJUSTMENTS . . . . .			
	(b) Medium-term loans :			10. PREMISES LESS DEPRECIATION . . . . .			
	Of which secured against :			11. FURNITURE AND FIXTURES LESS DEPRECIATION . . . . .			
15	(A) Government and other approved securities . . . . .			12. OTHER ASSETS (to be specified)			
	(B) Other tangible securities@ . . . . .						
20	(c) Long-term loans			13. NON-BANKING ASSETS ACQUIRED IN SATISFACTION OF CLAIMS (stating mode of valuation) . . . . .			
	Of which secured against :						
25	(A) Government and other approved securities . . . . .			14. PROFIT AND LOSS . . . . .			
	(B) Other tangible securities@ . . . . .						
	(iii) From the State Government						
	(a) Short-term loans						
	Of which secured against:						

	(A) Government and other approved securities .	
	(B) Other tangible securities@ . . . . .	
5	(b) Medium-term loans	
	Of which secured against :	
	(A) Government and other approved securities .	
10	(B) Other tangible securities@ . . . . .	
	(c) Long-term loans	
	Of which secured against:	
	(A) Government and other approved securities .	
15	(B) Other tangible securities@ . . . . .	
	(iv) Loans from other sources (source and security to be specified) .	_____
20	6. BILLS FOR COLLECTION BEING BILLS RECEIVABLE AS <i>per contra</i> . . . . .	_____
	7. BRANCH ADJUSTMENTS . . . . .	_____
	8. OVERDUE INTEREST RESERVE . . . . .	_____
	9. INTEREST PAYABLE . . . . .	_____
	10. OTHER LIABILITIES	
	(i) Bills payable . . . . .	
25	(ii) Unclaimed dividends . . . . .	

CAPITAL AND LIABILITIES		PROPERTY AND ASSETS			
		Rs.	P.	Rs.	P.
	(iii) Suspense . . . .				
	(iv) Sundries . . . .				
5	II. PROFIT AND LOSS				
	Profit as per last balance-sheet				
	Less appropriations . . .				
	Add profit for the year brought from the Profit and Loss Account				
10	TOTAL			TOTAL	
	CONTINGENT LIABILITIES				
	(i) Outstanding liabilities for guarantees issued . . .				
	(ii) Others . . . .				
15	TOTAL				

## NOTES

\*"Fixed deposits" will include reserve fund deposits of societies, employees provident fund deposits, staff security deposits, recurring deposits, cash certificates, etc.

\*\*Under the item "individuals" deposits from institutions other than co-operative banks and societies may be included.

20 †"Borrowings" and "Advances".—Short-term loans will be for periods up to 15 months, medium-term loans from 15 months to 5 years and long-term loans over 5 years.

@ "Other tangible security" will include borrowings against gold and gold ornaments, repledge of goods, mortgage of land, etc.

General Instructions.—The corresponding figures (to the nearest rupee, if so desired) for the year immediately preceding the year to which the balance-sheet relates should be shown in separate columns.

FORM B  
FORM OF PROFIT AND LOSS ACCOUNT

*Profit and loss account for the year ended* \_\_\_\_\_.

EXPENDITURE				INCOME			
		Rs.	P.			Rs.	P.
5	1. Interest on deposits, borrowings, etc. . . . .			1. Interest and discount . . . . .			
	2. Salaries and allowances and provident fund . . . . .			2. Commission, exchange and brokerage . . . . .			
	3. Directors' and local committee members' fees and allowances . . . . .			3. Subsidies and donations . . . . .			
10	4. Rent, taxes, insurance, lighting, etc. . . . .			4. Income from non-banking assets and profit from sale of or dealing with such assets . . . . .			
	5. Law charges . . . . .			5. Other receipts . . . . .			
	6. Postage, telegrams and telephone charges . . . . .			6. Loss (if any) . . . . .			
	7. Auditor's fees . . . . .						
	8. Depreciation on and repairs to property . . . . .						
15	9. Stationery, printing and advertisement, etc. . . . .						
	10. Loss from sale of or dealing with non-banking assets . . . . .						
	11. Other expenditure . . . . .						
	12. Balance of profit . . . . .						
20	<b>TOTAL</b> . . . . .			<b>TOTAL</b> . . . . .			

*General Instructions.*—The corresponding figures (to the nearest rupee, if so desired) for the year immediately preceding the year to which the profit and loss account relates should be shown in separate columns".

## STATEMENT OF OBJECTS OF REASONS

The provisions of the Banking Companies Act, 1949 are not now applicable to or in relation to co-operative banks. The deposits and working funds of co-operative banks are now so large that the extension of the more important provisions of the Banking Companies Act, 1949 (and of certain other allied provisions of the Reserve Bank of India Act, 1934) to these banks will be in the public interest. The Bill seeks accordingly to extend to the State co-operative banks, the central co-operative banks and the more important primary non-agricultural co-operative banks certain provisions of the existing Central laws which are relatable to "banking".

2. The notes on clauses explain in detail the various provisions of the Bill.

NEW DELHI;

*The 3rd December, 1964.*

T. T. KRISHNAMACHARI.

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PRESIDENT'S RECOMMENDATION UNDER ARTICLE 117 OF  
THE CONSTITUTION OF INDIA

[Copy of letter No. F. 10/7/64-SB, dated the 9th December, 1964 from Shri T. T. Krishnamachari, Minister of Finance to the Secretary, Lok Sabha.]

The President having been informed of the subject matter of the proposed Banking Laws (Application to Co-operative Societies) Bill, 1964, recommends the introduction of the Bill in the Lok Sabha under clause (1) of article 117 of the Constitution.



*Notes on clauses*

*Clause 2.*—Chapter II of the Bill provides for certain amendments to the Reserve Bank of India Act, consequent on the application of the more important provisions of this Act to co-operative societies. Clause 2 provides for the definition of the expressions used in the Act in relation to co-operative banks or other co-operative societies.

According to the scheme of control as it is envisaged in the Reserve Bank of India Act and in the Banking Companies Act, (a) all the State or apex co-operative banks, (b) all central co-operative banks and (c) such of the primary non-agricultural credit societies, including in particular urban co-operative banks, as have paid-up capital and reserves of a nominal value of Rs. 1 lakh or more, will be deemed to be co-operative banks. The definition of the expression "co-operative bank" will exclude (a) all primary agricultural credit societies, whatever the nominal value of their paid-up capital may be, (b) primary non-agricultural credit societies with paid-up capital and reserves of a nominal value of less than rupees one lakh, even though they may be accepting deposits from non-members and (c) all other co-operative societies which do not obtain, or may hereafter cease to obtain, deposits from non-members.

If any doubt arises in regard to the classification of any particular society having regard to the nature of its business or operations, the question, it is proposed, should be decided finally by the Reserve Bank.

*Clause 3* provides for a consequential change in the qualifications now prescribed for the appointment of the directors of the Central Board of the Reserve Bank. It is proposed that directors of co-operative banks should in future be disqualified, (as directors of banking companies are at present) for appointment to this board. Although the nomination of representatives of co-operative banks, which will be controlled by the Reserve Bank in future, will be inappropriate and will not, therefore, be possible, persons with experience and knowledge of co-operation, and not connected actively with the management of co-operative banks as directors, will still continue to be eligible for appointment to the Central Board of the Reserve Bank.

*Clause 4* provides for an amendment of a consequential nature.

*Clause 5.*—According to the scheme of the Reserve Bank of India Act, only scheduled banks (and State or apex co-operative banks which are entitled to be included in the Second Schedule to the Reserve Bank of India Act) are or will normally be entitled to loans and advances from the Reserve Bank. Commercial banks which are not included in the Second Schedule, and central and primary co-operative banks, which are not entitled to be so included, do not or will not enjoy the facility of direct access to the Reserve Bank. In

the event of an emergency, however, the Reserve Bank will be able according to the provisions of section 18(1) of its statute to grant loans or advances to non-scheduled banks direct or to relax the conditions as regards the security in respect of such loans. Clause 5 seeks to extend the benefit of these provisions, in the event of emergencies, to central and primary co-operative banks (which will be treated for this and for other purposes as non-scheduled banks).

Clause 6 seeks to modify the definition of "liabilities" in the case of apex co-operative banks for the purpose of calculating the reserve at 3 per cent. which will have to be maintained with the Reserve Bank. The amount of the loans obtained by co-operative banks from the Industrial Development Bank of India, the Agricultural Refinance Corporation and the State Government concerned and deposits representing the reserves of other co-operative societies will be excluded from the definition of liabilities.

Clause 7 seeks to omit section 44, as the returns from State or apex co-operative banks, which are now provided for by this section can be obtained under the provisions of section 42 as extended to these banks.

Clauses 8 and 9 provide for the modification of the definition of (a) financial institutions and (b) non-banking institutions for the purposes of Chapter IIIB of the Reserve Bank of India Act. It is proposed that (a) all co-operative banks, (b) all agricultural credit societies and (c) all primary non-agricultural credit societies which are not co-operative banks should be excluded from the scope of the statutory provisions relating to the Reserve Bank's control over the loan investment or other allied policies of financial and non-banking institutions. Co-operative banks will be effectively controlled in accordance with other provisions which are being made for this purpose in the Reserve Bank of India Act and the Banking Companies Act and it will not, therefore, be necessary to make any separate provision in regard to them. Agricultural credit societies have been excluded generally from the scope of the various provisions of the present Bill. The working funds and turnover of primary non-agricultural credit societies which are not co-operative banks are relatively insignificant, with the result that the trouble or expense involved in controlling their loans or advances or investment policies may not be worthwhile.

Clauses 10 and 11.—Chapter III provides for the amendments necessary to Banking Companies Act. Clauses 10 and 11 seek to alter the description of this Act and to make certain consequential changes in the long title and the preamble. The Act, it is proposed, should be known in future as the Banking Regulation Act, 1949. This will be appropriate, as its application will not be confined any

longer to companies incorporated under the Companies Act and carrying on the business of banking.

Clause 12 provides that the provisions of the Banking Companies Act, 1949 will not be applicable to primary agricultural credit societies and landmortgage banks and that they will be applicable to other co-operative banks only to the extent specified.

Clause 13 seeks to modify, on the analogy of clause 6 of the Bill, the definition of "liabilities in India" in the case of co-operative banks for the purpose of calculating the cash reserve at 3 per cent.

Clause 14 seeks to insert a new section in the Banking Companies Act, 1949 providing for the necessary modifications to the various sections of this Act in their application to or in relation to co-operative banks.

Parts IIA, III and IIIA and such of the provisions in the other Parts of the Act as are relatable either directly or indirectly to the incorporation, management and winding up of co-operative banks are proposed to be omitted, as these Parts or provisions are not in pith and substance within the scope of any entry in the Central or Concurrent List of subjects in the Seventh Schedule to the Constitution.

The other modifications of importance in the provisions of the Banking Companies Act will be as indicated below. The references are to the various clauses of section 56, as proposed to be inserted in the Act,—

(i) the operations or working of agricultural credit societies and landmortgage banks, by whatever name called, will continue to be unaffected, as the provisions of the Banking Companies Act, 1949, as renamed will not be applicable to them;

(ii) primary non-agricultural credit societies with paid-up capital and reserves of a nominal value of less than Rs. 1 lakh, which according to the definition will not be treated as co-operative banks, will be permitted as a special case to carry on the business of banking i.e. acceptance of deposits from non-members and the grant of loans and advances, without being required to apply for licences or to comply with any of the other provisions of the Act [clause (o)];

(iii) primary non-agricultural credit societies with paid-up capital and reserves of Rs. 1 lakh or more, which by definition are co-operative banks, central co-operative banks and State or apex co-operative banks will be required to apply for licences within a period of three months, and will be permitted to carry on the business of banking, if licences are granted to them, or in the case of such banks which are already in existence if they are not informed that licences will not be granted for enabling them to continue to carry on the business [clause (o)];

(iv) primary non-agricultural credit societies, which by definition are co-operative banks, central co-operative banks and State or apex co-operative banks will, once the provisions of the Banking Companies Act have been applied to, or in relation to them, continue to be banks within the meaning of the Act, and if at any time any of these banks ceases to carry on banking business, it may begin to transact such business again, subject to the directions, if any, of the Reserve Bank [clause (za)];

(v) co-operative societies (other than agricultural credit societies, or landmortgage banks, or primary non-agricultural credit societies, or central co-operative banks or State or apex co-operative banks) will be able to accept deposits from non-members and to grant simultaneously loans and advances in future only for a period of one year from the commencement of the provisions of the present Bill [clause (o)];

(vi) the investment of the funds of co-operative banks in other co-operative societies will, except in certain specified circumstances, be subject to the approval of the Reserve Bank [clause (k)];

(vii) central co-operative banks will be enabled, without obtaining the prior permission of the Reserve Bank, to open new branches within the area of their operations [clause (p)];

(viii) the Reserve Bank will be able to have the inspection of a primary co-operative bank conducted, if necessary, through the State or apex co-operative bank with which that bank is affiliated [clause (w)];

(ix) primary co-operative banks will be enabled to grant, if necessary, and on terms and conditions which may be approved by the Reserve Bank, unsecured loans to their directors, in circumstances in which such loans may have to be granted for any essential purpose [clause (l)];

(x) the accounts of the co-operative banks will continue to be closed at the end of the co-operative year, that is on the 30th June [clause (s)].

The provisions of the Bankers' Books Evidence Act, 1891 and the Banking Companies (Legal Practitioners' Clients' Accounts) Act, 1949 are proposed to be modified suitably, so that the special procedure as to evidence or the protection in respect of certain accounts may be extended to or be available in future in relation to co-operative banks [clause (zk)].

The Third Schedule as proposed to be amended provides for the prescribed Forms in which the balance-sheets and profit and loss accounts of co-operative banks will have to be maintained. The Forms may, if necessary, be modified in future in the light of further experience and in accordance with the procedure which is already prescribed in the Act for this purpose.

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### MEMORANDUM REGARDING DELEGATED LEGISLATION

Section 52 of the Banking Companies Act, 1949 as proposed to be extended to co-operative banks provides for the making of rules for carrying out the purposes of the Act in relation to these institutions and for prescribing the details to be included in the returns required to be submitted under the Act and the manner in which the returns should be submitted.

The delegation of legislative powers is of a normal character.

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S. L. SHAKDHER,  
*Secretary.*

